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STATE FOR OES/PCI AARON SALZBERG AND TEGAN BLAINE  
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SUBJECT: SRI LANKA - ADVANCING US EFFORTS ON WATER AND SANITATION

REFERENCE: A) STATE 128229 B) STATE 128599

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11. SUMMARY: A high percentage of Sri Lanka's rural population does not have access to safe drinking water and proper sanitation. It is estimated that over 40 percent of the rural population, or more than 6 million people, are deprived of these basic facilities. Recognizing the scope of the issue, the Government of Sri Lanka (GSL) has formulated a national policy for rural water and sanitization sector to: (1) Provide safe drinking water to 85 percent of the population by 2010 and 100 percent by 2025; and (2) Provide access to adequate sanitation for 70 percent of the population by 2010 and 100 percent by 2025. However, the GSL does not have the financial resources to achieve these objectives within the stipulated time frame. End Summary.

12. According to Piyasena Wellakkage, Director General, Rural Water Supply and Sanitation Division of the Ministry of Urban Development and Water Supply (MUDWS), although there have been serious attempts to address the problems of the unavailability of water supply and sanitation facilities, successive governments have concentrated mainly in urban areas. Rural areas were largely neglected. The water schemes in rural areas, which have been implemented by local authorities as well as NGOs, are devoid of proper planning. Per Wellakkage, the rural water schemes do not provide for operation and maintenance of the schemes and lack active community participation. As a result, less than one percent of such schemes previously initiated still operate.

13. In 1992, the Rural Water Supply and Sanitation Division of the MUDWS initiated a new approach to water supply and sanitation projects by involving communities at all stages of the project, including design, implementation, labor, hygiene education and management. This methodology has proven successful.

14. All of the focal areas for possible USG engagement identified in reftels are important in the context of the water supply and sanitation sector in Sri Lanka. Priority areas for USG activities could be Governance, Infrastructure Investment, and Mobilization of Domestic Resources.

#### GOVERNANCE:

15. The GSL wants to increase institutional capacity to strengthen the impact and sustainability of water supply and sanitation projects. The Minister of Urban Development and Water Supply, in a recent media report, stressed the need for more focus on safe drinking water for rural areas due to the high percentage of the population lacking this basic facility. The World Bank funded a pilot Community Water Supply and Sanitation Project (CWSSP) under the MUDWS from 1992 to 1998 to provide safe drinking water and sanitation facilities to rural communities in three districts of the country. This project was launched with participation of Community

Based Organizations (CBOs) and contribution of capital cost (mainly through labor) by the beneficiaries. Under this project, the CBOs played a key role in identifying needs, planning, design, constructing and ultimately owning the facilities, and taking responsibility for operating and maintaining the facilities.

¶16. This CWSSP project has been favorably reviewed by the World Bank and was ranked highest among similar projects implemented worldwide.

The success of this project resulted in several new community-based WSS projects, including a second CWSSP funded by the World Bank and the Japan Bank for International Cooperation (JBIC). Under the second CWSSP, MUDWS delegated to local government authorities the responsibility for assisting and coordinating CWSSP activities with the CBOs.

¶17. A criticism of this reportedly successful project is that local governments have not performed their responsibilities in the desired manner due to lack of competent personnel and indifferent attitude, as no direct benefits accrue to the local authorities due to the manner in which the CBOs are set up. (All procurement and contracts are decided by CBOs and not by the local authorities.)

¶18. To address these shortcomings, the MUDWS is considering establishing an independent agency free of political involvement in order to develop the established CBOs and achieve national status. This agency would have responsibility for assisting and coordinating CBO activities nationwide. Capital expenditure, capacity building, rehabilitation of some water supply and sanitation schemes, action oriented training of CBOs, IT software skills development and providing computers to CBOs, are some of the areas which the new agency will need to address in order to successfully develop the CBOs. In addition, the MUDWS is focusing on providing a revolving loan fund for sanitation projects, identifying selected CBOs in areas most in need of sanitation facilities. Technical and financial assistance to set up this fund will also be valuable.

#### INFRASTRUCTURE INVESTMENT:

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¶19. The positive developments resulting from the two CWSSP projects warrant replication of these projects in districts that do not have safe drinking water and sanitation facilities (including the northeast, where Sri Lanka's ethnic conflict is centered). This would provide additional communities with safe drinking water, sanitation, and protection against the water-borne diseases that are the primary cause of poor health in rural communities.

#### MOBILIZATION OF DOMESTIC RESOURCES:

¶10. Private sector involvement in water supply and sanitation projects has been negligible. Private sector investment should leverage water supply and sanitation activities to complement the activities of the GSL and donors. The expertise and commercial approach of the private sector could assist in promoting sound utility management and cost recovery, and will assist CBOs in managing their schemes effectively.

¶11. Current US involvement in the water supply and sanitation sector includes long-running USAID programs and post-tsunami USAID activities to improve water supply and distribution to tsunami-affected communities in the eastern part of the country. An

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assessment of water from existing reservoirs and groundwater sources has been completed in the Pottuvil/Panama area of Ampara District. USAID contractor CH2M Hill concluded that groundwater is the best water supply choice for the area as it is more sustainable, higher quality, would lower the cost of water treatment, and avoid the need to transmit water long distances from reservoirs to population centers. The project will also address sanitation needs of the targeted communities through a public health education program that includes discouraging people from using water from shallow polluted wells. A budget of approximately \$4 million has been allocated for the project.

¶12. Another USAID regional project with activities in water supply and sanitation is Environmental Cooperation-Asia (ECO-Asia). ECO-Asia addresses improving access to water and sanitation, and environmental governance. One pilot site will be in Nuwara Eliya, where ECO-Asia will develop and demonstrate sustainable sanitation systems through a participatory process for identifying priority sanitation challenges, preparing action plans, identifying appropriate technology and system designs and financing options and carrying out awareness. This will involve the Local Authority, NGOs/CBOs, and the community as stakeholders. Another pilot project will be implemented with the National Water Supply and Drainage Board to establish a public private community partnership to deliver water to urban poor.

¶13. Comment: The water supply and sanitation sector is primarily under government purview, with the Ministry of Urban Development and Water Supply being the focal point for all rural water and sanitation activities, including donor funded projects. The GSL is committed to providing safe water and sanitation for the population.

However, lack of resources inhibits the GSL's ability to achieve WSS objectives set out in its national policy. There is wide scope for US assistance and the Director General and National Project Director of the Ministry of Urban Development and Water Supply is enthusiastic about the possibility of receiving US support in this sector. End Comment.

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